



DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON

1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON VA 22240-5291



APR 3 2003

DFAS-DFM

MEMORANDUM FOR DIRECTOR, MILITARY PAY OPERATIONS, DEFENSE  
FINANCE AND ACCOUNTING SERVICE (DFAS-PM/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation (DoDFMR), Volume 7, Part B, Regarding December 2002 Cost-of-Living Adjustment (DFAS Item L-68)

The attached Interim Change Number R 03-03 to the DoDFMR, Volume 7B is effective December 1, 2002. This change implements the military pay cost-of-living increase for retirees and their annuitants.

We have evaluated your comments on the proposed change and included your comments where appropriate. Assignment of the interim change number is your authority to initiate procedural modifications to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7B.

  
for Jerry S. Hinton  
Director for Finance

Attachments:

As stated:

cc: DASD(MPP)(Comp)  
OUSD(C)(OCDFO)(FP)  
ODGC(F)  
DFAS-GA/CL  
DFAS-PDO/CL  
DFAS-PMJE/DE  
Service Liaisons  
USCG/NOAA/PHS Liaisons

1. Revise Table 7-1 to add/change the following:

SERVICE REVERT - RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS OF ACTIVE SERVICE AFTER RECALL)						
R U L E	A  If date of release from active duty is during	B  and the current active duty rate is	C  then revert to active duty rate	D  and entitlement at time of recomputation is (note 4)	E  increased by COLADJ appli- cable at time of recomputation (note 8)	F  and apply later COLADJ per table 7-3 rule (notes 5 & 9)
82	Jan 1, 01 Nov 30 01	Jan 1, 01	Jan 1, 00	Jan 1, 00	2.8 (Note 10)	42 thru end
83	Dec 1, 01 - Dec 31, 01				2.8 + 2.6	43 thru end
84	Jan 1, 02 - Nov 30, 02				2.0 (Note 11)	
85	Dec 1 - Dec 31, 02	Jan 1, 02	Jan 1, 01	Jan 1, 01	2.0 + 1.4	
86	Jan 1, 03				1.4	

2. Revise Table 7-2 to add/change the following:

DISABILITY REVERT - RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)						
R U L E	A  If date of release from active duty is during	B  and the current active duty rate is	C  then revert to active duty rate	D  and entitlement at time of recomputation is (note 4)	E  increased by COLADJ appli- cable at time of recomputation (notes 6, 7)	F  and apply later COLADJ per table 7-3 rule (notes 6, 7)
77	Jan 1, 99 - Nov 30, 99	Jan 1, 99	Jan 1, 99	Jan 1, 99		--
78	Dec 1, 99 - Dec 31, 99				2.0	
79	Jan 1, 00 - Nov 30, 00	Jan 1, 00 (See Note 8)	Jan 1, 00	Jan 1, 00		-
80	Dec 1, 00 - Dec 31, 00				2.8 (Note 8)	
81	Jan 1, 01 - Nov 30, 01	Jan 1, 01	Jan 1, 01	Jan 1, 01		-
82	Dec 1, 01 - Dec 31, 01				2.0 (Note 9)	
83	Jan 1, 02 - Nov 30, 02	Jan 1, 02	Jan 1, 02	Jan 1, 02		--
84	Dec 1, 02 - Dec 31, 02				1.4	

**3. Table 7-2, Note 7, revise to read:**

7. Members who enter a Uniformed Services on or after August 1, 1986, elected a Career Status Bonus (CSB) will receive the difference between the full cost-of-living adjustment and 1% vice the full cost-of-living shown on Table 7-3.

**4. Renumber Notes 8 and 9 (see IC R07-02) and Notes 9 and 10 and add Note 8 to read:**

8. Basic pay rates payable to commissioned officers in pay grades 0-7 through 0-10 may not exceed the monthly equivalent of the rate of pay for level III of the executive schedule. The rates for basic pay payable for all other officers and for enlisted members may not exceed the monthly equivalent of the rate of pay for level V of the Executive Schedule (see Public Law 106-65).

**5. Update Table 7-3 in Volume 7B, Cost of-Living Adjustment Percentage Table, to show the following addition after no. 41:**

40	Dec 1, 99 (Note 2)	2.4 post- September 7, 1980 member
41	Dec 1, 00 (Note 2)	3.5 post- September 7, 1980 member
42	Dec 1, 01 (Note 2)	2.6 post- September 7, 1980 member
43	Dec 1, 02 (Note 2)	1.4 post- September 7, 1980 member

**6. Add new subparagraph 080494 as follows:**

080494. A cost-of-living adjustment (COLA) effective December 1, 2002:

A. Retired pay COLA for those who first became a member of a Uniformed Service before September 8, 1980, is specified according to the effective date of the active duty basic pay rate used to compute their retired pay as follows:

Retired Pay Based on Rates of Pay Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2002	1.4 percent	1401a(b)(2)
January 1, 2002	1.4 percent	1401a(c)

B. Retired pay COLA for those who first became a member of a Uniformed Service on or after September 8, 1980, is specified according to the effective date of their retirement as follows:

Retirement Effective:	Percent Increase	10 U.S.C. Authority
Before January 1, 2002	1.4 percent	1401a(b)(2)
Jan 1, 2001 – Mar 31, 2002	1.4 percent	1401a(d)
Apr 1, 2001 – Jun 30, 2002	1.4 percent	1401a(d)
Jul 1, 2001 – Sep 30, 2002	.5 percent	1401a(d)
Oct 1, 2001 – Dec 31, 2002	0.0 percent	1401a(d)

**7. Add new subparagraph 080495 as follows:**

080495. Public Law 107-314, December 2, 2002, and Executive Order 13282 effective January 1, 2003, provide:

- A. Increased basic pay rates.
- B. No increase for members retired before January 1, 2003.
- C. No entitlement to pay computed on the January 1, 2003, basic pay rates for members who retired on January 1, 2003, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2002 transfers)."

**8. Revise Table 49-1, Survivor Benefit Plan Threshold Amount in Volume 7B, to show the following change/addition after rule 27:**

R U L E	A	B	C
	If retired pay is based on active duty pay rates effective	and increased by COLADJ	then the threshold is
32	January 1, 2001 – 3.7% *July 1, 2001 .7%		\$509.00 \$512.00
33	*Sec 602(a) of P.L. 106-398, Oct 30, 2000	December 1, 2001 Pre-September 8, 1980 Member (January 1, 2001)                      2.0% (July 1, 2001)                         .7%  Post September 7, 1980 Member Retired January -March 01            2.0% Retired April-June 01                 1.1% Retired July-September 01            .7% Retired October-December 01        0%	\$519.18 \$512.00  \$519.18 \$514.60 \$512.00 \$512.00
34	January 1, 2002	December 1, 2002 Pre-September 8, 1980 Member January 1, 2002  Post September 8, 1980 Member Retired January – March 02            1.4% Retired April – June 02                 1.4% Retired July – September 02            .5% Retired October – December 02        0%	\$547.00  \$554.66  \$554.66 \$554.66 \$549.74 \$547.00
35	January 1, 2003		\$572

9. Revise Appendix M, Total Earnings Table, by adding the following:

<u>Year of Retirement</u>	<u>Maximum Pay By Social Security</u>
"2003	87,000"

10. Revise Appendix U, Averaged Monthly Consumer Price Index (CPI-W), by adding the following:

1 <sup>st</sup> Qtr	FY 02	2 <sup>nd</sup> Qtr	FY 02	3 <sup>rd</sup> Qtr	FY 02	4 <sup>th</sup> Qtr	FY 02
4 <sup>th</sup> Qtr	CY 01	1 <sup>st</sup> Qtr	CY 02	2 <sup>nd</sup> Qtr	CY 02	3 <sup>rd</sup> Qtr	CY 02
Oct 01	174.0	Jan 02	173.2	Apr 02	175.8	Jul 02	176.1
Nov 01	173.7	Feb 02	173.7	May 02	175.8	Aug 02	176.6
Dec 01	172.9	Mar 02	174.7	Jun 02	175.9	Sep 02	177.0
AVG CPI	173.5	AVG CPI	173.9	AVG CPI	175.8	AVG CPI	176.6

11. Add the following to the bibliography:

Paragraph

Citation

080494

OSD (FMP)(MPP) Comp Memo, March 24, 2003